

Project Report

Air Service Potential At Marathon, Florida

The Boyd Group
Aviation Consulting & Forecasting

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Note:

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I. Introduction

The Boyd Group has accomplished an evaluation of the potential for re-establishing scheduled air service at Marathon, Florida.

The objective is to determine whether MTH can again support viable scheduled air service.

Air service access to the Keys is critical to the tourist and leisure industries on which the region's economy depends. Today, the majority of visitors who initiate their journey by air use Miami International or Fort Lauderdale, and then drive the remaining way to the keys. The main reason for this is the fact that Key West International Airport is essentially at full capacity, and has limited, if any, ability to absorb more traffic.

The Florida Keys Marathon Airport, located in the middle part of the Keys, is well located to be utilized to address the capacity constraints at EYW. The open questions in this regard are:

- Is the Marathon Airport capable of efficiently handling scheduled air service?
- Can adequate traffic be attracted to using the facility as a new gateway to the region?
- What airline systems would be logical marketing targets for Marathon service?
- What would be the costs to the County in recruiting air service to Marathon?

It is clear that the Marathon Airport is an under-utilized facility. However, that alone is not sufficient to attract and maintain scheduled air service. Airlines today are almost entirely risk-averse, and to gain air service at MTH will require that the market represents a higher and better use of airline assets than where they are currently being applied.

The goal of this analysis was to identify the traffic levels that the airport could attract, and then determine whether such traffic was sufficient to support scheduled air service.

II. Executive Summary

Air Service Growth Options

Key West International, which is the air gateway to the Keys, is at full capacity at this time. Regardless of the excess demand, which is enormous, the physical fact is that there is very little additional service that can be added. Therefore, the options for Monroe County are:

1. To accept the current situation. Unfortunately, this leaves the Keys mainly as a road-accessed destination. The capacity of US 1, however, is also limited.
2. To increase air capacity by recruiting air service to Marathon. At the least, this will make the Keys more competitive with other destinations vying for consumer vacation dollars.

The second option, obviously, is the most desirable. However, this would entail recruitment of carriers interested in serving the market. The analyses accomplished in this project indicate that Marathon does have the potential of gaining the additional air service that the Keys needs.

Conclusions

Based on the data developed in this project, the following conclusions are made:

The Market Identity. The destination of visitors is more correctly "the Keys" and not necessarily specifically Key West or Marathon. For that reason, the Keys should be increasingly considered one destination with two airport gateways, MTH and EYW.

Marathon represents a revenue opportunity for airlines, not a risk.

MTH is not a separated destination, but instead a co-terminal to the Keys.

Air Passenger Demand. The current air travel demand to the Keys represents approximately five times the traffic that Key West International can handle.

Key West International is currently the only scheduled air service gateway to the Keys. Because it cannot be materially expanded, there is a negative economic impact to the region due to visitors being forced to use Miami and Ft. Lauderdale to access the Keys.

Demand Distribution. Almost 90% of the visitors who use Miami or Ft. Lauderdale to access the Keys ("fly-drive" segment) are generated from the East Coast. This represents a ready opportunity for carriers with hubs serving that region.

Airline Opportunities. With the capacity constraints at EYW, and over 1.2 million passengers using MIA/FLL to access the Keys, there is enormous opportunity for profitable additional air service if MTH is re-positioned and re-framed not as another destination, but as an expansion of the Keys' airport capacity.

Strategy. The Boyd Group concludes that incumbent carrier systems Delta and American are prime targets for expansion of their Keys air service, using the co-terminal of MTH.

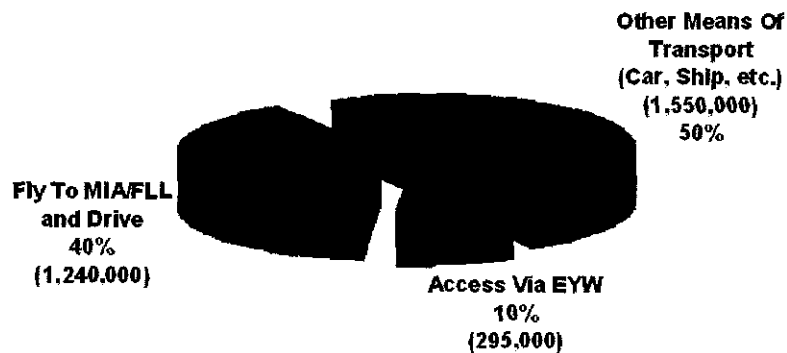
III. Summary of The Market

The Current Role of Airline Service

Fewer than one in four visitors who use air travel to get to the Keys are flying into Key West International.

Of the estimated 3.1 million visitors to the Keys annually, slightly over 50% do not use any form of air service, with the majority of these using auto for their journey.¹

Travel/Access Modes



The remainder represents approximately 1.535 million visitors who use air to access the Keys. Of these, however, less than one in four uses Key West International.

Based on the fact that EYW is at full capacity, we can conclude that a substantial portion of the "fly-drive" market now using Miami and Ft. Lauderdale would use EYW or Marathon were the seats and service available.

The Keys Air Access Situation

One of the fundamental challenges to increasing air service to the Florida Keys is the limited airport infrastructure available. Key West International has a 4,801-foot runway, which while entirely safe, represents limits to the size and type of airliners that can be operated at the airport. Furthermore, the terminal facility is at capacity in terms of the number of passengers it can handle.

¹ Source NOAA.

The "fly-drive" segment of visitors – those that fly into Miami or Fort Lauderdale and drive the rest of the way, face the natural constriction of a mostly two-lane highway that accommodates almost 3 million visitors each year.

Clearly, to maintain and expand the tourist industry on which the Keys depends, additional access must be developed. This points to the Florida Keys Marathon Airport as a natural option.

Clearly, there is immediate demand for more air service to the Keys.

The solution is expansion of service at MTH, but branding it as the Keys, not a stand-alone destination.

But just having a need for additional air access does not create air service, particularly into a nearly un-served airport.² Airlines will not take risks today, and will enter such markets only if there is a near-certainty that they will be profitable almost from the start of service.

Fortunately, the air service demand to the Keys far outstrips the current or potential airport capacity of the Keys, even when MTH is considered. This is the reason that over 1.5 million visitors are forced to use Miami/Ft. Lauderdale as an access point. It also means that any capacity added to the Keys via the MTH co-terminal would likely be filled very quickly.

The Economic Benefit of MTH Air Service

This high percentage of "fly-drive" visitors has several negative economic impacts for the Keys and for Monroe County:

- By using Miami or Ft. Lauderdale, dollars are spent outside of Monroe County for services such as rental cars, food, and some intermediate hotel and overnight services.
- The drive portion of the "fly-drive" may be scenic, but it also takes up substantial amounts of consumers vacation time. In fact, with the need to be at major airports such as Miami at least two hours before flight time, the essential part of an entire day would be spent by vacationers who have to drive in from Key West.
- The cost of a vacation in the Keys may be less competitive with other destinations that have easier and wider air service access.

² Florida Coastal Airlines publishes a schedule with a single daily 8-seat flight to Miami, tagged onto Key West.

IV. Air Service Options & The Florida Keys

The Airline Industry

There are four modes of air transportation to access the Florida Keys.

Business and General Aviation. This represents non-commercial, private aircraft.

Charter Service. This involves specific, pre-sold service aimed at moving groups of customers. Because of the facility and runway constraints at Key West, this mode of air access is limited.

Independent Commuter Airlines. Florida is one of the few markets left in the nation that can support small, independent commuter airlines. Key West is served by two of these, Florida Coastal, and Cape Air. Both operate 8-seat, piston-engined Cessna 402 aircraft. Because of the size of these airliners, and the low levels of connectivity to the rest of the air transportation system, these independent commuters are not a major factor in air service to the Keys. Furthermore, for a variety of reasons, these carriers do not represent future growth potential for the Keys.³

Major Airline Systems. These are airlines such as American, Continental, and Delta. Today, these carriers are comprised of "mainline" aircraft – operated by their own employees, and "regional airline partners" – which are basically contractors to the major. At markets such as Key West (and, hopefully, Marathon) major carriers usually use regional airline partners to provide service.

The Issue of Connectivity

At small markets such as Key West, viable air service is dependent on the hub-and-spoke system. This is where an airline flies passengers into a central airport, for example Delta into its hub at Atlanta, and connects them onward to several (or

³ The economics of operating 8-seat piston aircraft are getting more and more difficult. Furthermore, there is increasing consumer resistance to flying on smaller aircraft. Therefore, independent commuters are essentially "niche" carriers serving small, but well defined, local markets. They do not provide material connectivity to the rest of the air transportation system.

in some cases, dozens) of onward destinations. In this manner, sufficient traffic can be collected onto a single airliner to make flights to places like Key West economically viable.

Optimally, the idea is to allow markets such as EYW to have access to most major destinations via a single connection.

Current Keys Air Service

Key West is served today by four major airline systems, each using regional airline partners. In addition, it has service from two independent commuter airlines, operating 8-seat Cessna 402 aircraft.

The pattern of air service access at EYW is excellent.

The traffic, however, is limited by capacity at EYW.



The major carrier system service includes:

- Delta Air Lines, which provides all-jet service, with two daily flights to Atlanta, and three daily flights to Orlando. Both of these destinations offer enormous connectivity to both large and mid-size cities across the rest of the nation, plus enormous access to European destinations.
- Continental's regional partners offer 19-seat and 8-seat flights to Ft. Lauderdale, Fort Myers, Miami, Tampa, and Orlando. Because this airline does not operate a hub at any of these points, these flights are either aimed at local traffic, or timed to "kiss" certain Continental flights arriving and departing at Ft. Lauderdale, Orlando, and Tampa. This represents some limited connectivity, mostly to Houston, Cleveland, and Newark. Additional connectivity is offered beyond these Continental hubs,

but it requires making two connections, which is less attractive to consumers.

- American Eagle operates 64-seat turboprops to the American Airlines hub at Miami. These offer very strong connectivity to mostly very large destinations.
- US Airways Express operates 19-seat airliners to Tampa. This service offers very limited connectivity to US Airways flights to the Northeast. At some point, due to a new code-share arrangement with United, there could be some connectivity to that carrier's Chicago and Denver hubs.

V. The Market Opportunity

The objective of this portion of the study was to determine not only if there is sufficient demand to recruit air service at Marathon, but to also define from which parts of the nation this demand is generated. In doing so, we can identify which carriers have the strongest potential of making MTH service a success.

It is estimated that 1.24 million visitors are using airports other than EYW to access the Keys. The issue at hand is to determine the following:

- **Re-Capture Rate.** How many of these visitors could be re-captured with an increase in air service to the region.
- **Traffic Generation.** The points of origin from which these visitors are coming from.
- **Airline Systems.** The airline systems that would benefit from adding service to the Keys via Marathon.

Current Destination Mix

In reviewing the 2003 top O&D market data for Key West, a number of factors become very clear:

Low Local Trip Origination. This is primarily a destination market, i.e., 85% to 90% of passengers initiate their trip from points outside of the Keys.

This is very typical of resort destinations, but it also affects the choice of airline system to target with marketing efforts.

With high origination rates outside of the Keys, an airline cannot rely upon local advertising to build business. Instead it must work on generating new traffic from a highly-Balkanized base in many other cities. This means that carriers with a strong and centralized hub system would be the most likely candidates for marketing efforts on the part of the Keys.

The O&D distribution indicates strong service expansion opportunities for incumbent EYW carriers.

MARKET	O&D PASSENGERS	PERCENT OF TOTAL	AVERAGE FARE	PERCENT ORIGINATING AT EYW
EWB	30,710	4.05%	\$178.68	10.94%
BOS	25,240	3.33%	\$170.01	9.63%
LGA	25,030	3.30%	\$144.23	11.91%
PHL	23,060	3.04%	\$166.96	6.72%
DCA	19,720	2.60%	\$179.41	12.12%
ATL	18,350	2.42%	\$165.05	13.84%
ORD	14,730	1.94%	\$177.32	10.45%
JFK	12,930	1.70%	\$139.42	8.12%
BDL	12,010	1.58%	\$155.65	11.07%
BWI	10,770	1.42%	\$181.30	11.61%
MIA	10,030	1.32%	\$115.58	31.90%
DTW	8,620	1.14%	\$194.00	11.60%
RDU	8,400	1.11%	\$151.01	8.10%
CLE	8,290	1.09%	\$182.68	8.56%
CLT	7,580	1.00%	\$156.55	12.53%
DFW	6,970	0.92%	\$176.58	13.77%
PIT	6,810	0.90%	\$165.80	13.51%
ORF	6,380	0.84%	\$209.38	18.97%
SDF	6,020	0.79%	\$152.74	7.14%
IAH	5,980	0.79%	\$177.61	10.20%
MSP	5,920	0.78%	\$207.97	10.47%
IAD	5,880	0.77%	\$192.44	8.50%
CMH	5,860	0.77%	\$163.87	5.80%
STL	5,760	0.76%	\$179.80	15.10%
CVG	5,550	0.73%	\$157.52	14.05%
PVD	5,450	0.72%	\$182.33	14.68%

High Concentration Of East Coast Demand. While the distribution of O&D will be affected by the levels and quality of the air service at a given airport, it is very clear that the East Coast is the main community of travel interest for the Keys.

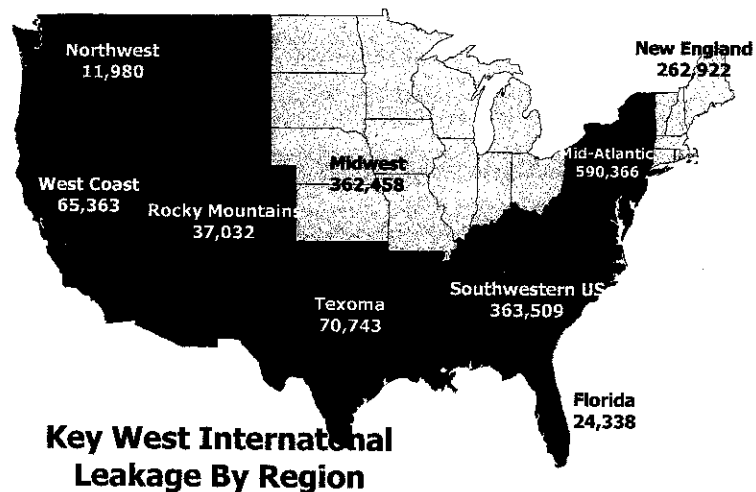
Highly Balkanized O&D Mix. The traffic base of the Keys is not dependent on any one destination. Only one, Newark, comprises more than 4% of the total. Over 60% of the total traffic is comprised of passengers from destinations each of which by themselves represent less than one percent of the airport's total traffic. This points to the opportunity for more service from highly concentrated hub carriers.

These factors indicate the following in regard to air service recruitment efforts:

1. Incumbent carriers are the best target for increasing service to the Keys via MTH. They already have market presence, and service to MTH would be additive, not competitive, with their current service at EYW.
2. Service via carriers with strong connecting hub operations would more effectively meet the need than adding more point-to-point service, or service to non connecting-hub airports.

Sizing The Potential Market

It is logically assumed that the current O&D demand distribution at EYW is representative of most of the traffic accessing the Keys by air, including the fly-drive passengers.



The fly-drive traffic was divided into destinations with the same distribution as EYW passengers. The results provide a picture of not only the traffic being lost to EYW, but also where air service recruitment efforts need to focus.

Estimated "Fly-Drive" By Region

Region	"Fly-Drive"	Percent Of Total
Mid-Atlantic	590,366	33.0%
Southeast	363,509	20.3%
Midwest	362,458	20.3%
New England	262,922	14.7%
Texoma	70,743	4.0%
West Coast	65,363	3.7%
Rocky Mountains	37,032	2.1%
Florida	24,338	1.4%
Northwest	11,980	0.7%
Total	1,788,710	

Note that almost nine out of ten fly-drive passengers are generated from the East Coast – from the Southeast moving north to New England. This indicates that the best opportunities for adding air service to the Keys will be with carriers that have strong hub systems in these regions.

Strategy: One Destination – The Keys

MTH is not just another airport.

It is expansion capacity for EYW.

It is clear that demand for air service to the Keys exceeds the capacity of Key West International to handle it.

But that capacity can be expanded – by making use of Florida Keys Airport at Marathon. Conceptually, these two facilities should not be viewed as two separate airports. In fact, EYW and MTH are simply two arrival and departure terminals to the same destination – the Keys. The use of the terminal and runway capacity at MTH is essentially the same as expanding EYW.

Therefore, recruiting air service in this case is not precisely the same as trying to entice carriers to serve a new destination. Instead, it is the process of showing carriers that they can use MTH to increase their access to the Keys. In short, the mindset needs to be that EYW now has additional capacity in the form of the facilities at Marathon.

Strategy: Build & Add To Existing EYW Service

Because the Keys market is materially underserved, the logical path is to look for ways to increase frequencies with incumbent carriers, using Marathon.

For that reason, The Boyd Group would suggest that air service efforts should focus on the following:

- Expanding incumbent carrier air service to the Keys by adding frequencies at Marathon.
- Build on the carriers that have the highest potential of recapturing the leakage that is now part of the fly-drive component of visitors.

Delta & American The Primary Marketing Targets

The goal is to re-capture as much of the leakage to MIA/FLL as possible. This can only be done with carriers that have the strongest route systems into the East Coast and Northeast regions of the country.

Of the current airline systems that serve the Keys, only Delta and American actually access true connecting hub operations. For Delta, they have hubs at ATL and MCO, and American has a strong hub at MIA. Therefore, the strategy would be to concentrate primary efforts to convince these carriers to implement additional frequencies to the Keys, using Marathon.

Continental, Local Commuters Secondary Targets

There are also possibilities of adding Continental-branded service at MTH. However, because this service does not offer high degrees of connectivity, it would not be as effective in recapturing the fly-drive leakage now using Miami and Ft. Lauderdale.

Strategy: Officially Re-Classify Florida Keys As A Single Destination

Concept: List both MTH and EYW as co-terminals to one destination, just as LGA and JFK are listed under "New York."

Along these lines, The Boyd Group would suggest exploring the potential of having the Florida Keys officially re-classified as a single destination with two airports, just as Chicago is listed as a single destination served by O'Hare and by Midway airports. Instead of having MTH and EYW separately listed in Official Airline Guides and in computer reservations systems, it would be listed as "Florida Keys" with service to both airports listed.

This would facilitate and immediately increase consumer awareness of MTH as an access point to the Keys.

Phasing The Program

It is felt that the Keys service expansion program, using MTH as the access point, would best be started with the Delta system.

The first phase would be to implement three daily 37-seat Delta Connection jets to Orlando, in addition to the three now operated from EYW. Including the current EYW-ATL service, this would immediately give the Delta system eight daily flights to the Keys, building synergies with the carrier's strong route system into the Northeast and Midwest, where most of the Key's unmet demand is generated.

Air Service Implementation					
Plan	Carrier	Destination	Equipment	O&D Estimate	Cumulative
Phase I	Delta Connection	Orlando	3 Embraer 135 Jets	59,975	59,975
Phase II	American Eagle	Miami International	ATR 72	105,031	165,006
Phase III	Delta Connection	Atlanta	2 Canadair RJ's	53,992	218,998

The second phase would be to recruit additional American Airlines service to its Miami hub. The relatively short flying time to MIA would represent low risk for the carrier, plus would allow it to benefit from the increased consumer awareness of MTH that the Delta service would generate.

The third phase would be to increase the Delta Atlanta service to an additional two CRJ-700 flights. This is a relatively long

haul and would consume substantial aircraft time. However, in conjunction with the other Delta-branded service at both MTH and EYW, it is believed that the service would further penetrate the base of nearly one million consumers from the Northeast and Midwest which are now accessing the Keys from MIA/FLL.

These "phases" are considered to be sequencing priorities. It is noted that Delta has a large number of regional jets being delivered in 2005, and has expressed interest in finding opportunities to place them in profitable markets. The Boyd Group believes that a compelling proposal can be made to Delta regarding the strong, net-new system revenues this additional, MTH-based service would bring to the carrier.

Total Traffic Potential

The fly-drive market is far greater than the capacity that can reasonably be added to the Keys.

It must be recognized that the total size of the fly-drive leakage to Miami and Ft. Lauderdale far surpasses the levels of additional service that the Keys reasonably can expect to re-capture. Some fly-drive traffic is intentional, comprised of visitors who desire to have a road-based component to their Florida visit. Furthermore, there is some portion of this fly-drive segment that is the result of consumer preferences for larger aircraft, or simply is coming from cities where the incumbents now serving EYW do not operate.

The Boyd Group's analyses of the market indicate that the service outlined above represents minimal risk for the carriers involved and exceptional potential for net-new system revenues. Based on the MTH service outlined, the increases in capacity would represent a maximum of 13% re-capture of the fly-drive market.⁴

On the following pages are forecast annualized projections for each of the three service expansions noted above. Note that very conservative estimates have been made of the potential traffic capture expected.

⁴ Based on daily service and an 80% load factor.

Phase One: Three Delta ERJ-135 Flights To MCO

The concept is to show incumbent carriers the amount of traffic being left on the table due to EYW being at full capacity.

Posturing MTH as an expansion of the Keys' airport capacity will address this issue.

Phase I: Marathon-Orlando Traffic Estimates			
Destination	Current Leakage	Capture Rate	Resulting Traffic
Orlando	23,413	50%	11,706
Newark	120,175	3%	3,605
Boston	102,647	5%	5,132
New York-LGA	98,864	5%	4,943
Washington-DCA	80,243	3%	2,407
Atlanta	76,754	5%	3,838
Hartford/Springfield	51,660	7%	3,616
New York-JFK	50,104	5%	2,505
Raleigh/Durham	39,596	7%	2,772
Dallas/Ft. Worth	29,592	7%	2,071
Louisville	27,406	7%	1,918
Columbus	25,641	7%	1,795
Cincinnati	25,220	7%	1,765
Los Angeles	18,999	5%	950
Nashville	18,747	7%	1,312
New Orleans	15,216	7%	1,065
Greensboro	15,132	7%	1,059
Richmond	13,787	7%	965
Birmingham	10,508	7%	736
Las Vegas	9,121	5%	456
Tallahassee	5,591	7%	391
Salt Lake City	5,296	10%	530
Greenville/Spartanburg	4,666	10%	467
Columbia	4,456	10%	446
Huntsville	3,909	10%	391
Pensacola	3,447	10%	345
San Juan	2,984	5%	149
Mobile	1,387	10%	139
Other (incl. DL/NW/CO Codeshare)			2,500
Total			59,975

Phase Two: Three American Eagle ATR-72s To MIA

Phase II: Marathon - Miami Traffic Estimates			
Destination	Current Leakage	Capture Rate	Resulting Traffic
Newark	120,175	7.5%	9,013
Boston	102,647	7.5%	7,699
New York-LGA	98,864	10%	9,886
Philadelphia	95,921	5%	4,796
Washington-National	80,243	7.5%	6,018
Atlanta	76,754	7.5%	5,757
Chicago-O'Hare	61,033	10%	6,103
Hartford/Springfield	51,660	7.5%	3,874
New York/Kennedy	50,104	10%	5,010
Baltimore/Washington	43,589	5%	2,179
Miami	42,748	10%	4,275
Raleigh/Durham	39,596	7.5%	2,970
Cleveland	37,242	5%	1,862
Detroit	36,948	7.5%	2,771
Charlotte	30,601	5%	1,530
Dallas/Ft. Worth	29,592	10%	2,959
Pittsburgh	27,658	7.5%	2,074
Louisville	27,406	7.5%	2,055
Columbus	25,641	7.5%	1,923
Houston	25,220	7.5%	1,892
Washington-Dulles	24,842	5%	1,242
St. Louis	24,632	10%	2,463
Minneapolis/St. Paul	23,413	7.5%	1,756
Los Angeles	18,999	7.5%	1,425
Nashville	18,747	7.5%	1,406
Indianapolis	18,621	7.5%	1,397
Denver	17,318	7.5%	1,299
New Orleans	15,216	7.5%	1,141
San Francisco	14,796	7.5%	1,110
Richmond	13,787	7.5%	1,034
Jacksonville	12,568	7.5%	943
Orlando	11,181	7.5%	839
Las Vegas	9,121	5%	456
San Juan	2,984	7.5%	224
Tampa	2,732	3%	82
St. Thomas	1,345	5%	67
Other			3,500
Total			105,031

Phase Three: Two Delta Connection CRJ-700s To ATL

Phase III: Marathon - Atlanta Traffic Estimates			
Destination	Traffic Generation	Capture Rate	Resulting Traffic
Newark	120,175	2%	2,403
Boston	102,647	2%	2,053
New York-LaGuardia	98,864	2%	1,977
Philadelphia	95,921	2%	1,918
Washington-National	80,243	2%	1,605
Atlanta	76,754	20%	15,351
Chicago O'Hare	61,033	2%	1,221
Hartford/Springfield	51,660	3%	1,550
New York-Kennedy	50,104	2%	1,002
Baltimore/Washington	43,589	3%	1,308
Raleigh/Durham	39,596	3%	1,188
Cleveland	37,242	2%	745
Detroit	36,948	2%	739
Charlotte	30,601	2%	612
Dallas/Ft. Worth	29,592	3%	888
Pittsburgh	27,658	2%	553
Louisville	27,406	3%	822
Columbus	25,641	3%	769
Houston	25,220	2%	504
Cincinnati	25,220	3%	757
Washington-Dulles	24,842	3%	745
Norfolk	24,800	3%	744
St. Louis	24,632	2%	493
Minneapolis/St. Paul	23,413	2%	468
Providence	22,572	3%	677
Los Angeles	18,999	2%	380
Nashville	18,747	3%	562
Indianapolis	18,621	3%	559
Denver	17,318	2%	346
Dayton	16,645	3%	499
New Orleans	15,216	3%	456
Greensboro	15,132	3%	454
San Francisco	14,796	2%	296
Richmond	13,787	3%	414
Syracuse	12,904	3%	387
Kansas City	12,610	3%	378
Manchester	12,358	3%	371
Grand Rapids	12,148	3%	364
Albany	12,022	3%	361
Milwaukee	11,854	3%	356
Portland, ME	10,929	3%	328
Buffalo	10,761	3%	323
Birmingham	10,508	3%	315
Other			5,750
Total			53,992

Potential Traffic At MTH

Assumptions

In these projections, the following assumptions have been made:

- Annual growth in visitors to the Keys would average 1.6%.⁵ This is reflected in the traffic projections for MTH.
- EYW is projected to be nearly flat in traffic growth, with only 1% expected annually.
- The new service would only re-capture existing leakage, and there would be no market stimulation due to the additional capacity.
- Additional service could be expected from Gulfstream, Cape Air, and other carriers. To remain conservative, these are not reflected in the projections.

Timeframes

For the purposes of this study, the assumption was made that additional Delta Connection service to MCO, operating from MTH, could be established in the second half of 2005.

The additional Miami service with American Eagle is projected to enter MTH at the beginning of 2006, and Delta Connection service to ATL from the MTH facility would start in the middle of that year.⁶

Based on these projections, it is estimated that the Marathon facility could be experiencing approximately 112,000 annual enplanements by 2007.

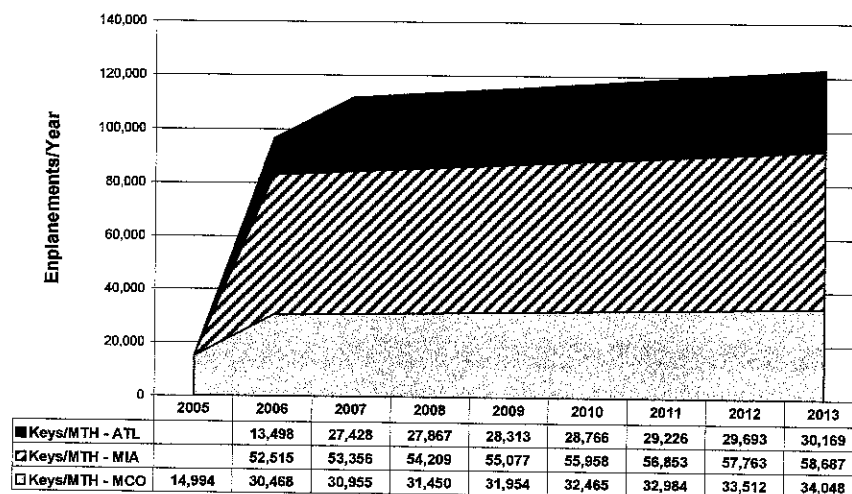
⁵ Source: NOAA

⁶ Given the enormous size of the revenue opportunity, these are not felt to be overly aggressive estimates.

Enplanement Estimates

It is noted that the service projected in this document is based upon the Delta and American systems accessing traffic that represents the "low hanging fruit" – i.e., the enormous passenger leakage that is generated mainly from the East Coast.

Keys/MTH Potential Traffic



This does not reflect the traffic that can be expected by the addition of carriers that today serve other Florida markets from EYW.

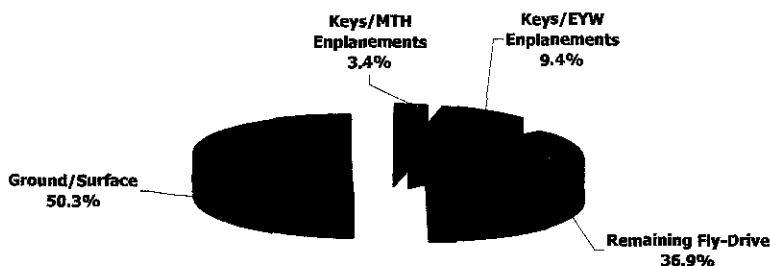
Economic Impact Of New MTH Service

It is important to note that even with this service expansion at MTH, there will still be enormous leakage to MIA/FLL with the fly-drive portion. Based on annualized estimates of 220,000 O&D passengers being re-captured at MTH, there will still be approximately one million visitors that will remain in the fly-drive segment.

To be sure, the addition of MTH service, under any reasonable scenario, will not capture all, nor even a majority of the fly-drive segment. However, the economic impact of the additional traffic at MTH will be substantial.

While an economic impact analysis is not a part of this project, it is obvious that the recapture of over 200,000 annual O&D passengers to the Keys would produce benefits far beyond the incremental costs to the county of re-establishing air service at MTH.

Projected Visitor Mix - 2007



It is assumed that all of the passengers captured by this new service will be ones diverted from the fly-drive consumer component, and there will be minimal, if any, net-new visitors to the Keys as a result of the new service.

However, by using the local airport instead of MIA/FLL, there are certainly a number of positive economic impacts, such as expenditures on rental cars, meals, and other incidentals. Another benefit would be these consumers' ability to stay longer in the Keys by eliminating the long drive to MIA/FLL and the need to allow two hours or more for potential security screening at that airport.

As a raw estimate, if each of these re-captured passengers spent an additional \$50 within the Keys as a result of this increased service, it would pump an additional \$5.4 million into the local economy.

VI. Facility, Cost, & Strategic Issues

Facility Issues

Terminal & Airside

The Marathon terminal building is already in place and would require minimal, if any modification for airline ticketing and passenger processing. It is also noted that since the facility is debt-free, it would offer very attractive space rental to the carriers operating there.

Security Facilities

The required equipment and modifications to meet the needs of the Transportation Security Administration would represent possibly as much as \$300,000 to complete. It is expected that these funds would be available from either FDOT or federal sources. An on-site inspection of the terminal indicated that minimal physical re-configuration of the security check point would be needed.⁷

Emergency Response

It is expected that once scheduled service commences, MTH would be considered an Index A facility, which would require minimal additional investment by the County.

Airline Marketing Issues

With the enormous levels of traffic leakage to Miami and Ft. Lauderdale, combined with the capacity limitations at EYW, the concept of using MTH as a Keys air service expansion point would be an attractive concept to the target airlines.

Critical to this strategy, however is to posture MTH as additional airport capacity for the region, and not as a new destination. The traffic that can be re-captured from the current fly-drive segment represents at least 200,000 additional passengers to the incumbent airlines serving the Keys.

⁷ This is an observation only, and actual costs would be determined by the TSA's final requirements.